



United States  
General Accounting Office  
Washington, D.C. 20548

16/208

Accounting and Information  
Management Division

B-280903

September 23, 1998

The Honorable Henry J. Hyde  
Chairman, Committee on the Judiciary  
House of Representatives

Subject: Federally Chartered Corporation: Review of the Financial Statement  
Audit Report for the Civil Air Patrol, Incorporated, for Fiscal Year  
1996

Dear Mr. Chairman:

As requested, we reviewed the audit report covering the financial statements of the Civil Air Patrol, Incorporated, a federally chartered corporation, for the fiscal year ended September 30, 1996. The purpose of the corporation is to encourage and foster civil aviation in local communities and to provide adequate facilities to assist in meeting local and national emergencies.

Federally chartered corporations are required under 36 U.S.C. 1102-1103 to

- present the corporation's assets and liabilities and reasonable detail on the corporation's income and expenses in annual financial statements,
- obtain an annual financial audit by an independent public accountant, and
- submit the auditor's report and the corporation's financial statements to the Congress not later than 6 months following the close of the corporation's fiscal year.

The objective of our review was to determine whether the audit report complied with the financial reporting requirements of the law. In carrying out our work, we reviewed the corporation's financial statements and the accompanying notes, performed certain analytical procedures related to information presented in the financial statements, reviewed the auditor's report, and made inquiries to corporation officials or the auditor as we deemed necessary. We did not review the auditor's working papers. During our review, nothing came to our attention that would cause us to believe that the financial reporting requirements of the law have not been met.

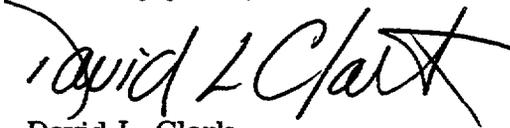
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The audit report included the auditor's opinion that with four exceptions, the financial statements of the corporation were presented in accordance with generally accepted accounting principles. The first exception related to the accounts for approximately 1700 units below wing level that had not been audited. The second exception related to donated assets from the Department of Defense to two different state wings valued at original acquisition cost, rather than fair market value at the date of receipt. The corporation is attempting to determine the fair market values of the donated assets. The third exception relates to the proper recognition of fair rental value of the use of one of the state wing's facilities. The effects of these three exceptions were not readily determinable. The fourth exception related to the inadequacies of accounting records for one state wing.

We are returning the audit report you sent with your letter.

Sincerely yours,

A handwritten signature in black ink that reads "David L. Clark". The signature is written in a cursive, somewhat stylized font.

David L. Clark  
Director, Audit Oversight and Liaison

(w/o enclosure)

(911895)

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